

“Industry Approach”

Customer Satisfaction

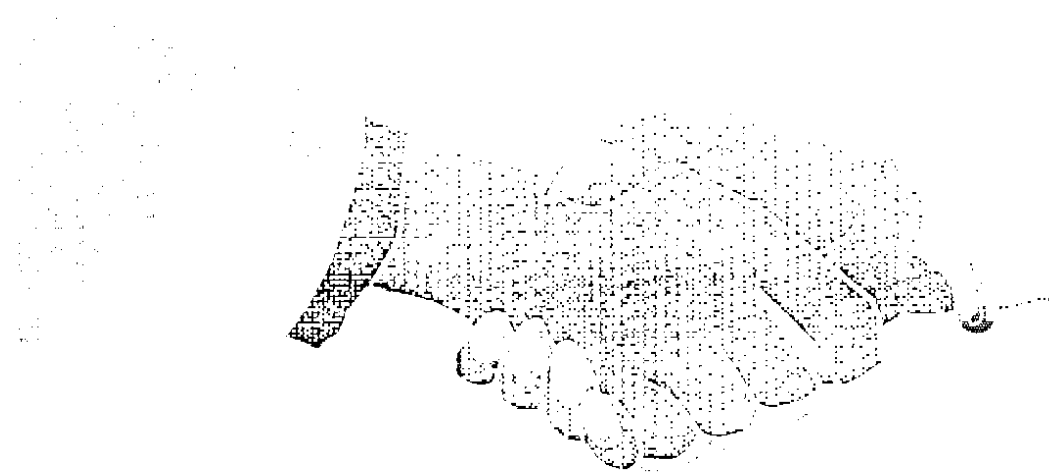
Private Label

Branded Savings

Full Price

Brand Selection

Promotion Variety



Amerada Hess/Pick Kwik Cigarette Category Sales Comparison

Industry Approach

PM Exclusive

\$ 6,390,910



\$ 5,749,357



+ \$ 641,553

Amerada Hess/ Kwik Pick
Industry Approach Vs. Philip Morris Exclusive

2nd Half 1997 Programs	Industry Approach	PM Exclusive
RJR FP Discounting	\$ 867,636	0
SALEM Discounting	\$ 154,800	0
RJR 3 Pack EDLP	\$ 94,659	0
DORAL Discounting	\$ 522,007	0
RJR Work Plan Promotions	\$ 212,467	0
Direct Marketing Program	\$ 72,240	0
SIGNATURE Sales	\$ 715,572	0
Marlboro/Basic Discounting	\$ 2,664,750	\$ 3,863,887
Marlboro 3 Pack	0	\$ 872,585
GPC Discounting	\$ 140,695	\$ 140,695
Industry Contracts	\$ 809,820	\$ 735,966
Temporary Pack Displays	\$ 136,224	\$ 136,224
Total	\$ 6,390,910	\$ 5,749,357

*Marlboro/Basic/3 Pack Discounting based on maximum grid flex dollars available.

Amerada Hess/Pick Kwik Industry Approach Vs. Philip Morris Exclusive

RJR Promotional Programs Definition of Calculations

- RJR Full Price Discounting Combination of Price Gap and Accrual Defense dollars. Product amounts based on CAMEL and WINSTON carton volume for 4th Quarter 1996.
- SALEM Discounting \$3.30 off per pack "tear tape" offer
- DORAL Discounting \$2 off per carton promotion for balance of 1997.
- RJR Work Plan Promotions 10 National Promotions. 4 shippers per store.
- Direct Marketing Based on volume achieved from average redemption percentage, and repeat business gained.
- SIGNATURE Sales Based on gaining average volume of 30 cartons per store weekly. 7.8% estimated share of market.

Amerada Hess/Pick Kwik
Cigarette Category Sales Comparison
Industry Approach Vs. Philip Morris Exclusive

Input

- Retail Selling Prices
 - Full Price Cartons \$ 16.99, Packs \$ 2.19, 3 Pack \$ 5.97,
Marlboro 3 Pack \$ 4.77
 - DORAL and GPC Promotion \$ 14.99
 - SIGNATURE cartons _____, packs _____
- Projected Philip Morris sales decrease 2.7%*
- Projected Industry Increase 2.6%
 - Currently 381 industry cartons weekly
 - Projected 390 industry cartons weekly

* Decrease in sales % from PM Exclusive to Industry Approach

Amerada Hess/Pick Kwik
Cigarette Category
Business Plan

RJR Direct Marketing Program

- Postcard mailing to 54,000 targeted smoker households
- Dual Hess/Pick Kwik Logo
- Regular carton price reduced \$2/Everyday low pack price/3 pack pricing communication
- Mailed in August
- Commitment required by week of June 16

Amerada Hess/Pick Kwik
Cigarette Category
Business Plan

Retail Display Contracts (Industry Approach)

- RJR Retail Partners Level II*
 - \$ 250/month
 - Ongoing promotional space on second shelf of current Philip Morris Springfed merchandiser
- Philip Morris Retail Masters Level II
 - \$ 605/month
- BAT
 - \$ 125.00/month
- Lorillard NSS Carton Contract
 - \$ 42.50/month

* Program requirements similar to Hess Mart. Additional facings may be required if Philip Morris has more facings than current Hess Mart Contract.

Amerada Hess/Pick Kwik
Cigarette Category
Business Plan

SIGNATURE

- Achieve sales of 30 cartons per week per store (7.9% market share)
 - Projected sales 51,480 cartons (2nd half 1997)
- \$26,000 bonus added to Accrual Funds for in store discounting
- *Leadoff* pricing of \$ 1.09 for July and August
- Everyday (non promotional) low price based on market
- In store POS, outdoor signage
- Include in display program

Amerada Hess/Pick Kwik Cigarette Category Business Plan

Branded Savings

■ DORAL

- RJR will provide funding for \$2 off per carton through end of 1997
- Four (4) shippers of *Buy Some Get Some Free* of for all stores

■ Basic

- Quarter end promotions

■ GPC

- Discounting through end of 1997

Amerada Hess/Pick Kwik Cigarette Category Business Plan

Full Price Brands

- Promote all major brands during Quarter End Promotional periods
 - RJR Accrual Defense Program - CAMEL/WINSTON
 - Philip Morris- Marlboro
- CAMEL *Leadership Pricing* \$ 1.99 everyday
 - RJR funds \$.12/Pick Kwik funds \$.04 through Retail Match
- SALEM \$.30 Off "Tear Tape" Program (July through November)
- 3 Pack Everyday Low Price
 - CAMEL/WINSTON to match Marlboro Pricing Structure (\$4.99)
 - All other major brands \$5.97
- National Promotions
 - RJR to increase allocations (4 shippers per store)
 - All manufacturers.....ongoing

Business Plan Elements

- Full Price Brands
- Branded Savings
- Private Label
- Retail Display Programs
- Direct Marketing
- Signing Bonus
- Store Manager/ Area Sales Manager Incentive

Amerada Hess/Pick Kwik Business Plan Objectives

- To continue the business momentum from 1st Half 1997 performance.
- Combine Pick Kwik into the Hess Mart operation to create stores which emulate the Hess Category Philosophy.....*Give customers what they want, and keep them coming back.*
- Create incremental traffic by addressing consumer demand for Low Price Category
- Plan for future growth

Mission Statement

The Business Plan is based on a complete evaluation of Pick Kwik Cigarette Category performance prior to Philip Morris Exclusivity, and evaluation of Cigarette Category Performance following Philip Morris Exclusivity. RJR has projected a 2.7%* decrease of Philip Morris volume. This loss will be offset by the cigarette industry approach and increased cigarette volume in net sales and net profitability.

* 1996 PM Exclusivity Study results

Amerada Hess/Pick Kwik

Cigarette Category Business Plan
1997 & Beyond